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6
7 UNITED STATES DISTRICT COURT
8 NORTHERN DISTRICT OF CALIFORNIA
9 SAN FRANCISCO DIVISION

10
11 TECHNOLOGY PROPERTIES LIMITED
LLC, et al.,

12 Plaintiffs,

13 vs.

14 BARNES & NOBLE, INC.,

15 Defendant.

16 CASE NO. 12-cv-03863-VC

17 DEFENDANT BARNES & NOBLE, INC.'S
NOTICE OF MOTION AND MOTION FOR
DE NOVO DETERMINATION OF
DISPOSITIVE MATTER REFERRED TO
MAGISTRATE JUDGE

18 Date: July 23, 2015

19 Time: 10:00 a.m.

20 Place: Courtroom 4 - 17th Floor

21 Judge: Hon. Vince Chhabria

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NOTICE OF MOTION

2 PLEASE TAKE NOTICE THAT on July 23, 2015, at 10:00 am, or as soon thereafter as
3 counsel may be heard before the Honorable Vince Chhabria in Courtroom 4 of the above-entitled
4 Court, located at 450 Golden Gate Avenue, 17th Floor, San Francisco, CA 94102, Defendant
5 Barnes & Noble, Inc. (“Barnes & Noble”) will and hereby does move this Court, pursuant to
6 Federal Rule of Civil Procedure 72(b), for a de novo determination of Magistrate Judge Grewal’s
7 Report and Recommendation denying Barnes & Noble’s motion for judgment on the pleadings
8 with respect to Plaintiffs’ third cause of action. This motion and the objections to Judge Grewal’s
9 ruling are made on the following ground: Plaintiffs’ third cause of action is barred by the *Kessler*
10 doctrine because the ITC found that Barnes & Noble did not infringe U.S. Patent No. 5,809,336,
11 and Plaintiffs chose not to appeal this decision to the Federal Circuit.

12 This Motion is based on this Notice, the attached Memorandum of Points and Authorities,
13 the pleadings and papers on file in this action or deemed to be on file at the time this Motion is
14 heard, other such evidence and argument as may be presented in connection with the hearing of
15 this Motion, and all matters of which this Court may take judicial notice.

17 | DATED: June 15, 2015

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By/s/ *David Eiseman*

David Eiseman

Attorney for Defendant Barnes & Noble, Inc.

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PRELIMINARY STATEMENT

When they initiated this suit, Plaintiffs Technology Properties Limited, Phoenix Digital Solutions, and Patriot Scientific Corporation (“TPL” or “Plaintiffs”) also initiated an ITC investigation on the basis of alleged infringement of U.S. Patent No. 5,809,336 (“the ’336 Patent”) and sought an exclusion order barring importation of the Barnes & Noble NOOK products that TPL accuses of infringing the ’336 Patent in this suit. The parties jointly requested, and this Court granted, a stay pending the outcome of the ITC investigation. Now, TPL’s infringement claim regarding the ’336 Patent should be dismissed because the ITC has ruled that Barnes & Noble’s NOOK products do not infringe the ’336 Patent, and that finding is binding on this Court under the doctrine of *Kessler v. Eldred*, 206 U.S. 285 (1907).

Kessler held that a finding of non-infringement precludes relitigation even where that finding would not be the basis for res judicata or collateral estoppel. *Kessler* by its terms applies to any “court of competent jurisdiction” and “wherever the judgment is entitled to respect,” 206 U.S. at 289, both of which plainly cover the ITC’s decision here. The ITC has jurisdiction to resolve the question of infringement. It conducted a thorough investigation after extensive briefing. The ALJ reached a carefully reasoned opinion finding non-infringement on multiple grounds. The full Commission affirmed the non-infringement determination. TPL could have, but chose not to, appeal that decision to the Federal Circuit. Thus, TPL had every opportunity to prove infringement in a competent tribunal and ultimately to the court that would hear an appeal in this case. TPL should not get another chance simply because it would like to try again in another forum. Every bit as much as a federal court (and far more than a state court, to which the Federal Circuit still applied *Kessler*), the ITC has jurisdiction and competence to decide the issue of non-infringement. Companies should not have to re-defend their products against the same infringement allegations when a losing ITC complainant fails to appeal to the Federal Circuit. Indeed, the Supreme Court created the *Kessler* doctrine precisely to prevent the kind of harassment that TPL is inflicting here with a second suit accusing the same products the ITC has already finally determined do not infringe.

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1 Magistrate Judge Grewal's Report and Recommendation ("R&R") is incorrect in
 2 concluding that *Kessler* is inapplicable to ITC judgments. The R&R purports to rely on
 3 "Congress' explicit findings" that ITC judgments are not entitled to respect. R&R at 7. But
 4 Congress made no such findings, and, in fact, the statute makes clear that ITC decisions are
 5 enforceable judgments. The only source the R&R cites for Congress's putative findings to the
 6 contrary is a Senate Report, which suggests only that res judicata and collateral estoppel do not
 7 apply to ITC judgments. The Senate Report makes no mention of the *Kessler* doctrine or the
 8 binding effect of an ITC judgment of non-infringement, and could not override the clear language
 9 of the statute in any event. There is no legal basis for treating this legislative history, which lacks
 10 statutory support and is silent on the operative question, as a congressional decision to forego the
 11 long-established *Kessler* doctrine. The R&R also errs in relying on Federal Circuit precedent to
 12 conclude that the *Kessler* doctrine is inapplicable, when none of those cases considered – or had
 13 any reason to consider – its applicability. Indeed, the R&R does not provide any actual reason –
 14 as a matter of fairness, efficiency, or anything else – why this Court should permit TPL to harass
 15 Barnes & Noble by relitigating its case against the NOOK products in this Court after losing in the
 16 ITC and choosing not to appeal. TPL had every chance to prove its case in the ITC, and it failed
 17 to do so. TPL could have appealed that decision to the Federal Circuit, but chose not to. The
 18 *Kessler* doctrine does not allow, and this Court accordingly should not allow, TPL to put Barnes &
 19 Noble through another lengthy, expensive proceeding to re-establish the company's right to sell
 20 NOOKs free of alleged infringement of TPL's '336 Patent.

21 Furthermore, there is no dispute that appeals from ITC decisions are binding as a matter of
 22 stare decisis, and thus, the question is not whether an ITC judgment can be binding – it plainly is
 23 binding if affirmed on appeal – but whether a party can render it non-binding by choosing to forgo
 24 an appeal. The R&R suggests that the timing of the expiration of the '336 Patent provides an
 25 exception to the well-established rule that a party cannot avoid the binding effect of a judgment by
 26 choosing not to appeal it. There is no legal support for any such exception, though, and no factual
 27 support for the idea that TPL had insufficient incentive to appeal to the Federal Circuit.

28

STATEMENT OF ISSUE TO BE DECIDED

Does the *Kessler* doctrine bar TPL's claims for infringement of the '336 Patent because the ITC has already found that Barnes & Noble's NOOK products do not infringe that patent, and TPL chose not to appeal that decision to the Federal Circuit?

STATEMENT OF FACTS

A. TPL's Complaint in this Court

On July 24, 2012, TPL brought suit against Barnes & Noble for alleged infringement of three patents. *See* Compl. ¶¶ 19-33. This motion concerns one of the three patents, U.S. Patent No. 5,809,336, entitled "High Performance Microprocessor Having Variable Speed Clock" ("the '336 Patent"). Specifically, TPL's Complaint alleges that Barnes & Noble's NOOK devices – electronic readers (eReaders) and tablets – infringe the '336 Patent because they have a "USB input/output interface for connecting the accused device to a peripheral device . . . having a clock independent of the CPU clock (*e.g.*, ring oscillator) connected to the central processing unit on the microprocessor of the NOOK . . ." *Id.* ¶ 30.

B. TPL's Complaint in the ITC

On the same day that it initiated this suit, TPL also initiated an ITC investigation against numerous companies on the basis of alleged infringement of the '336 Patent.¹ The operative allegation of infringement at the ITC is exactly the same allegation set forth in TPL's Complaint in this Court, with TPL claiming that the NOOK infringes because it has a "USB input/output interface for connecting the accused device to a peripheral device . . . having a clock independent of the CPU clock (*e.g.*, ring oscillator) connected to the central processing unit on the microprocessor of the NOOK." *Id.* ¶ 59. The parties jointly sought and the Court granted a stay of this case pending the outcome of the ITC investigation. (Dkt. 12.)

¹ *Certain Wireless Consumer Electronics and Components Thereof*, Inv. No. 337-TA-853. This Court has granted a motion for transmission of the ITC record to the Court. (Dkt. 36.) The public version of the ITC opinion is available on the ITC's EDIS system (<http://edis.usitc.gov>).

1 **C. The ITC Decision**

2 Trial in the ITC investigation began on June 3, 2013, and concluded on June 11, 2013. On
 3 September 6, 2013, Administrative Law Judge E. James Gildea issued his final decision, which is
 4 termed the Initial Determination (“ID”) in the Investigation, concluding that there has been no
 5 violation of Section 337 by any Respondent, including Barnes & Noble, for the reason that
 6 Respondents’ products do not infringe any asserted claim of the ’336 Patent. *See* ID at iv. The
 7 ALJ conducted hearings that included expert testimony on the claims at issue, fact evidence from
 8 corporate witnesses regarding the products and chips at issue, and dozens of exhibits from both
 9 sides. *See, e.g., id.* at 3, 25, 35-36, 118, Appendix B. After careful consideration of the private
 10 parties’ and Commission Investigative Staff’s post-hearing briefs, the ALJ issued an opinion more
 11 than 300 pages long, examining the claims at issue and concluding that there was no infringement.
 12 The ID reflects an exhaustive and thoughtful examination of the patent-in-suit, relevant
 13 technology, documentary evidence, and witness testimony presented during the hearings.

14 The full Commission then granted review of the ID on November 25, 2013, and
 15 comprehensive briefing followed. In another carefully reasoned opinion, the Commission
 16 examined the proceedings, including claim construction, factual and expert evidence, and the
 17 ALJ’s ultimate conclusions. The Commission affirmed the ALJ’s determination, concluding that
 18 none of the accused products infringes the ’336 Patent. Commission Op. at 1. TPL could have
 19 appealed to the Federal Circuit, but chose not to do so, thus rendering the ITC judgment final.

20 **D. The Magistrate Judge’s Report and Recommendation**

21 Barnes & Noble moved for judgment on the pleadings for dismissal of TPL’s claim of
 22 infringement of the ’336 Patent. In a Report and Recommendation filed on May 31, 2015,
 23 Magistrate Judge Grewal recommended denying the motion. He recognized that the question of
 24 “whether the *Kessler* doctrine bars a later district court claim based on an earlier determination by
 25 the ITC” is an “issue of first impression.” R&R at 2. He further recognized that “[i]f rights
 26 between litigants are once established by the final judgment of a court of competent jurisdiction
 27 those rights must be recognized in every way, and wherever the judgment is entitled to respect, by
 28 those who are bound by it.” *Id.* at 7 (quoting *Kessler*, 206 U.S. at 289). But he concluded that

1 Barnes & Noble failed to meet this requirement “[i]n light of Congress’ explicit findings that ITC
 2 determinations are not entitled to respect such that later claims are barred.” *Id.* In so concluding,
 3 he did not consider the statutory text. Rather, he relied first on Federal Circuit precedent holding
 4 that “ITC findings have no preclusive effect on district courts,” even though Barnes & Noble “is
 5 right that none of these opinions considered *Kessler* specifically” and “[t]hey refer only to claim
 6 and issue preclusion.” *Id.* at 7-8. Second, relying on Federal Circuit precedent characterizing
 7 *Kessler* as filling gaps, he noted that there was no “gap” to fill between issue and claim preclusion
 8 because those doctrines are inapplicable to ITC judgments. *Id.* at 8-9. Third, he held that “courts
 9 must defer to Congress’ express views on the preclusive effect of agency determinations.” *Id.* at 9
 10 (citing *B&B Hardware v. Hargis Indus.*, 135 S. Ct. 1293, 1298-99 (2015)).

11 **ARGUMENT**

12 **I. LEGAL STANDARD**

13 “After the pleadings are closed – but early enough not to delay trial – a party may move for
 14 judgment on the pleadings.” *Lyon v. Chase Bank USA, NA*, 656 F.3d 877, 883 (9th Cir. 2011)
 15 (quoting *Dworkin v. Hustler Magazine Inc.*, 867 F.2d 1188, 1192 (9th Cir. 1989)). A Rule 12(c)
 16 motion is “functionally identical” to a Rule 12(b) motion to dismiss. *Id.* (quoting *Dworkin*, 867
 17 F.2d at 1192). Thus, for a Rule 12(c) motion, “[t]he Court inquires whether the complaint at issue
 18 contains ‘sufficient factual matter, accepted as true, to state a claim of relief that is plausible on its
 19 face.’” *Harris v. County of Orange*, 682 F.3d 1126, 1131 (9th Cir. 2012) (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)). This Court reviews the R&R *de novo*. Fed. R. Civ. P. 72(b)(3).

21 **II. THE KESSLER DOCTRINE BARS TPL FROM RE-LITIGATING WHETHER **BARNES & NOBLE’S NOOK PRODUCTS INFRINGE THE ’336 PATENT****

23 **A. The Kessler Doctrine Prevents Parties from Relitigating a Finding of Non- Infringement**

24 In *Kessler*, the owner of a patent related to electric lighters (Eldred) filed an infringement
 25 suit against a competing seller of lighters (Kessler). 206 U.S. at 287-88. Although Kessler
 26 prevailed, Eldred then brought an infringement suit against one of Kessler’s customers, who sold
 27 the same lighters that were at issue in the first action. *Id.* Kessler intervened and also brought a
 28

1 separate suit to enjoin Eldred from asserting infringement claims against any of his customers for
 2 the use of the same lighter that had already been adjudged to be non-infringing. *Id.* The Supreme
 3 Court upheld the injunction, holding that the prior judgment “settled finally and everywhere, and
 4 so far as Eldred . . . was concerned, that Kessler had the right to manufacture, use and sell the
 5 electric cigar lighter before the court.” *Id.* The Court explained that the judgment that Kessler had
 6 the right to sell his lighter came with “the corresponding duty of Eldred to recognize and yield to
 7 that right everywhere and always.” *Id.* If Eldred were able to continue to file suits accusing
 8 products previously determined not to infringe, “the result will be practically to destroy Kessler’s
 9 judgment right.” *Id.* at 290. In short, by prevailing in the first suit, Kessler had immunized his
 10 lighter from any future infringement suits brought by Eldred.

11 The Federal Circuit just last year reaffirmed the validity of the *Kessler* doctrine. *See Brain*
 12 *Life, LLC v. Elekta Inc.*, 746 F.3d 1045 (Fed. Cir. 2014). In *Brain Life*, the Federal Circuit
 13 recognized that “[t]here exists a separate and distinct doctrine, known as the *Kessler* Doctrine, that
 14 precludes some claims that are not otherwise barred by claim or issue preclusion.” *Id.* at 1055-56.
 15 The principle underlying the *Kessler* doctrine is that “when an alleged infringer prevails in
 16 demonstrating noninfringement, the specific accused device(s) acquires the ‘status’ of a
 17 noninfringing device vis-à-vis the asserted patent claims” and “when the devices in the first and
 18 second suits are essentially the same, the new product(s) also acquires the status of a noninfringing
 19 device vis-à-vis the same accusing party or its privies.” *Id.* at 1057 (internal quotation marks
 20 omitted). The court therefore held that “because Elekta’s GammaPlan, GammaKnife, and
 21 SurgiPlan are essentially the same accused products” found non-infringing in a prior suit, “*Brain*
 22 *Life*’s claims are barred under the *Kessler* Doctrine.” *Id.* at 1058. Shortly after *Brain Life* was
 23 decided, this Court recognized that *Brain Life* had “demonstrat[ed] that *Kessler* is still in force,
 24 and . . . that it ‘precludes some claims that are not otherwise barred by claim or issue preclusion.’”
 25 *SpeedTrack, Inc. v. Office Depot, Inc.*, No. C 07-3602 PJH, 2014 WL 1813292, at *9 (N.D. Cal.
 26 May 6, 2014) (quoting *Brain Life*, 746 F.3d at 1055-56). And this Court accordingly held an
 27 infringement suit barred under *Kessler* where the same plaintiff had previously lost an
 28 infringement suit involving the same patent and essentially the same product. *Id.*

1 **B. The Kessler Doctrine Bars TPL's Claims in Light of the ITC's Finding of Non-**
 2 **Infringement**

3 Here, as in *Kessler*, *Brain Life*, and *SpeedTrack*, there is a prior judgment of non-
 4 infringement for the same product and the same patent at issue in the prior litigation. In particular,
 5 the ITC has held that Barnes & Noble's NOOK products do not infringe the '336 Patent. That
 6 judgment is binding under the *Kessler* doctrine.

7 First, the express language of *Kessler* establishes that the doctrine applies here. In *Kessler*,
 8 the Supreme Court held that a prior judgment of non-infringement, "whether it proceeds upon
 9 good reasons or upon bad reasons, whether it was right or wrong, settle[s] finally and everywhere"
 10 the claim of infringement. 206 U.S. at 288. And the Court stated exactly which tribunals could
 11 create a binding judgment of non-infringement: "If rights between litigants are once established
 12 by the final judgment of a *court of competent jurisdiction* those rights must be recognized in every
 13 way, and *wherever the judgment is entitled to respect*, by those who are bound by it." *Id.* at 289
 14 (emphases added). It is beyond dispute that the ITC – and the Federal Circuit, if TPL had chosen
 15 to appeal – had jurisdiction over the matter at issue here.

16 The *only* basis the R&R invoked for not applying the plain language of *Kessler* – a basis
 17 not raised by TPL – is that the ITC's judgment is not entitled to respect. In particular, the R&R
 18 relied upon "Congress' explicit findings that ITC determinations are not entitled to respect such
 19 that later claims are barred." R&R at 7. Congress, however, made no such explicit findings.
 20 They simply do not exist.

21 The statute at issue is 19 U.S.C. § 1337. It says nothing about the preclusive effect of an
 22 ITC decision, and nothing to suggest that such decisions may be treated without respect. To the
 23 contrary, the statute makes clear that ITC decisions must be treated as enforceable judgments with
 24 serious consequences. *Id.* § 1337(b), (c), (h), (i), (k). The R&R ignored the statute entirely.

25 Instead, the R&R relied solely on a single Senate Report concerning the statute. R&R at 4.
 26 To begin with, the Senate Report is not the law and does not represent "Congress' explicit
 27 findings." *Id.* at 7. Legislative history is used to resolve statutory ambiguities, but here there is no
 28 ambiguity to resolve, and "we do not resort to legislative history to cloud a statutory text that is

1 clear.” *Ratzlaf v. United States*, 510 U.S. 135, 147-48 (1994); *see also Milner v. Dep’t of Navy*,
 2 562 U.S. 562, 574 (2011) (similar). Thus, the R&R erred in treating the Senate Report as
 3 sufficient – with no statutory support – to conclude that ITC judgments are not entitled to respect.

4 In any event, the Senate Report does not support the R&R’s conclusion. The Senate
 5 Report by its terms applies only to the specific doctrines of claim and issue preclusion: “[A]ny
 6 disposition of a Commission action by a Federal Court should not have a res judicata or collateral
 7 estoppel effect in cases before such courts.” S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974).
 8 This statement is thus inapplicable to the *Kessler* doctrine. Also, the Senate Report’s basis for this
 9 statement was the point that “the Commission is not, of course, empowered under existing law to
 10 set aside a patent as being invalid or to render it unenforceable,” *id.*, a point that is irrelevant to a
 11 finding of non-infringement. Indeed, other language in the legislative history made clear that “[i]t
 12 was the intent of Congress that greater weight and finality be accorded to the Commission’s
 13 findings as compared with those of a trial court.” *Tandon Corp. v. U.S. Int’l Trade Comm’n*, 831
 14 F.2d 1017, 1019 (Fed. Cir. 1987) (citing S. Rep. No. 466, 96th Cong., 1st Sess. 26 (1979)). In
 15 short, there is nothing in the statute that permits treating ITC judgments with disrespect, and the
 16 Senate Report does not speak to the *Kessler* doctrine or findings of non-infringement.

17 The R&R erred by conflating two issues: whether an ITC judgment is entitled to respect
 18 and whether it is entitled to issue or claim preclusion. But *Kessler* does not say anything about
 19 “respect such that later claims are barred” by issue or claim preclusion. R&R at 7. Rather, it just
 20 says that the judgment is binding wherever it is entitled to respect. And there is nothing at all in
 21 the Senate Report to suggest that an ITC judgment is not so entitled.

22 At most, the Senate Report is ambiguous on the issue of the application of the *Kessler*
 23 doctrine to ITC judgments. That means it would be wrong to rely on it. *See Levi Strauss & Co. v.*
 24 *Abercrombie & Fitch Trading Co.*, 633 F.3d 1158, 1172 n.10 (9th Cir. 2011) (“[U]se of legislative
 25 history is particularly inappropriate in circumstances where, as here, the legislators’ published
 26 statements do not squarely address the question presented.”) (quotation marks omitted); *see also*
 27 *Mohamad v. Palestinian Authority*, 132 S. Ct. 1702, 1709-10 (2012) (disregarding Senate Report
 28 that “says nothing about” the specific issue at hand); *Ratzlaf*, 510 U.S. at 147 & n.17 (similar).

1 Second, the principle underlying *Kessler* applies equally to the ITC's decision here as it
 2 does to the judgment of any other tribunal. The rationale of the *Kessler* doctrine is that a patentee
 3 should not be able to harass another party by repeatedly filing infringement suits after getting a
 4 final judgment of non-infringement. *See Kessler*, 206 U.S. at 290; *Brain Life*, 746 F.3d at 1055-
 5 56. Yet that is exactly what is happening here. TPL brought its claim in the ITC, it lost, it chose
 6 not to appeal, and it is instead pursuing the exact same claim in this Court. The wasteful, costly,
 7 and harassing effect of this attempt to relitigate the judgment of non-infringement is exactly the
 8 same as it would be if the first suit were filed in a different federal court rather than the ITC. The
 9 R&R did not take issue with Barnes & Noble's argument that this suit is nothing more than
 10 harassment, but held nonetheless: “[H]arassment in litigation is—unfortunately—nothing unique
 11 to patent cases, and even if this special patent rule itself [i.e., the *Kessler* doctrine] remains binding
 12 precedent, there seems little or no reason to expand it. Special rules for patent cases have not
 13 exactly fared well at the Supreme Court in recent years.” *Id.* at 11. However, this case does not
 14 represent an expansion of *Kessler*, but a straight-forward application of it. The terms of *Kessler*
 15 and its rationale apply equally to an ITC matter as they do to a civil case. As for the R&R's
 16 suggestion that special rules for patent cases are suspect, *Kessler* is better understood as an
 17 extension, in this context, of the general rules concerning finality of judgments that underlie our
 18 legal system and permit litigants to go on with business after litigating – once – to judgment and
 19 having the matter “settled finally and everywhere.” 206 U.S. at 288. And to the extent it is a
 20 special rule, in fact the Supreme Court has reversed the Federal Circuit not because it applies
 21 special rules but because certain of its rulings have conflicted with prior Supreme Court precedent.
 22 *See Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1927-29 (2015); *Teva Pharm. USA,*
 23 *Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 833, 837-38 (2015); *eBay Inc. v. MercExchange, L.L.C.*, 547
 24 U.S. 388, 391-93 (2006). What has “not exactly fared well the Supreme Court in recent years” is
 25 actually, as discussed above, relying on ambiguous legislative history while ignoring the text of a
 26 statute. In any event, *Kessler* remains the law unless and until the Supreme Court says otherwise,
 27 and this Court should not give it an unduly narrow interpretation.

28

1 The R&R also erred in suggesting that the policy of *Kessler* is inapplicable because there is
 2 no “gap” to fill between issue and claim preclusion in this case. R&R at 8-9. To begin with, the
 3 idea of gap filling cannot be justified as a limitation on *Kessler* because the *Kessler* opinion makes
 4 no mention of “gap filling” at all. Rather, the Federal Circuit’s *Brain Life* opinion supplied this
 5 concept. And *Brain Life* did not purport to make gap filling a requirement for application of
 6 *Kessler*; rather, it was simply an explanation of why the *Kessler* doctrine mattered in that case.
 7 746 F.3d at 1056 (“[T]raditional notions of claim preclusion do not apply when a patentee accuses
 8 new acts of infringement The *Kessler* Doctrine fills the gap between these preclusion
 9 doctrines, however, allowing an adjudged *non-infringer* to avoid repeated harassment for
 10 continuing its business as usual post-final judgment in a patent action where circumstances justify
 11 the result.”). Moreover, even if gap filling were relevant, under the Federal Circuit’s current
 12 interpretation of governing law, a gap exists here every bit as much as it did in *Kessler* and *Brain*
 13 *Life* because collateral estoppel is unavailable despite the fact that there is an adverse judgment
 14 involving the same claim that the parties already spent considerable resources litigating before a
 15 competent tribunal. Had TPL appealed, stare decisis would have “filled the gap” by closing the
 16 loophole TPL seeks to exploit. *See infra* Part II.C. Thus, contrary to the R&R’s suggestion that
 17 there is no “gap” to fill here, there is a gap and TPL caused it.

18 Third, the application of *Kessler* here is consistent with Federal Circuit case law. The
 19 R&R noted that the Federal Circuit has not applied claim or issue preclusion to ITC judgments.
 20 R&R at 7-8. However, none of those cases considered the *Kessler* doctrine. And for good reason:
 21 almost all of those cases did not involve a finding of non-infringement. *See, e.g., Texas*
 22 *Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1562-63 (Fed. Cir. 1996); *Bio-Tech.*
 23 *Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1563 (Fed. Cir. 1996). The R&R notes that one case
 24 did involve a finding of non-infringement. R&R at 8 (citing *Powertech Tech. Inc. v. Tessera, Inc.*,
 25 660 F.3d 1301 (Fed. Cir. 2011)). In that case, though, the Federal Circuit held that the ITC
 26 decision, which it had affirmed, was binding as a matter of stare decisis. *Id.* at 1303-04, 1308.
 27 The R&R found it significant that the Federal Circuit invoked stare decisis rather than *Kessler*. *Id.*
 28 at 8. But especially if *Kessler* is primarily a gap-filler, this should be unremarkable. The Federal

1 Circuit in *Powertech* had no reason to consider whether the *Kessler* doctrine provided an
 2 *additional* basis for holding that the finding of non-infringement was binding. Thus, there is no
 3 Federal Circuit law that even suggests, let alone holds, that an ITC judgment of non-infringement
 4 is not binding. In any event, the Federal Circuit has never considered the *Kessler* doctrine for such
 5 ITC judgments because no party has yet raised the issue.

6 To be sure, the Federal Circuit has relied on the Senate Report discussed above in holding
 7 that ITC judgments are not entitled to claim or issue preclusion. Particularly in light of the
 8 Supreme Court’s recent holding in *B&B Hardware* that “absent a contrary indication, Congress
 9 presumptively intends that an agency’s determination . . . has preclusive effect,” and that there is
 10 no such indication where the statute’s “text certainly does not forbid issue preclusion” and “[n]or
 11 does the Act’s structure,” the conclusion that those cases reached is now questionable at best. 135
 12 S. Ct. at 1305.² Even assuming that those cases remain good law, this Court should not expand
 13 their tenuous rationale to cover a separate doctrine that the Senate Report does not even mention.

14 Indeed, as the R&R overlooked, the rationale for applying the *Kessler* doctrine here is
 15 considerably stronger than in *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729 (Fed. Cir. 1987),
 16 where the Federal Circuit applied the doctrine to a state court judgment. In *MGA*, the Federal
 17 Circuit held that the *Kessler* doctrine applies to state court judgments about the scope of license
 18 agreements that effectively resolve infringement questions, even though jurisdiction over
 19 infringement is exclusively federal. The court explained: “In this case, MGA selected its first

21 ² In its motion for judgment on the pleadings before Magistrate Judge Grewal, Barnes &
 22 Noble preserved its argument that the Federal Circuit decisions regarding res judicata and
 23 collateral estoppel are erroneous, while recognizing that those decisions were binding on this
 24 Court. After briefing was complete, the Supreme Court decided *B&B Hardware*, which now at a
 25 minimum casts doubt on that Federal Circuit case law. Because the claim at issue here should be
 26 barred based on the *Kessler* doctrine, this Court need not reach the issue or claim preclusion
 27 issues. If this Court were to overrule Barnes & Noble’s objections, however, Barnes & Noble
 28 reserves the right to file a new motion for judgment on the pleadings based on issue and/or claim
 preclusion in light of the *B&B Hardware* decision that was unavailable at the time of the original
 motion. To the extent this Court would prefer to decide the issues simultaneously, Barnes &
 Noble asks the Court to permit the parties to file supplemental briefing to address issue and/or
 claim preclusion now, in conjunction with Barnes & Noble’s pending objections.

1 defendant, first forum and first remedy. MGA had its day in court with a full trial on the merits of
 2 its case. . . . Nor was MGA left without recourse to seek correction of any perceived errors
 3 committed by the state court.” *Id.* at 735. The same (and more) is true of the ITC judgment here:
 4 TPL chose to sue Barnes & Noble, chose the ITC forum, and chose not to appeal despite its
 5 potential for review of the decision in the Federal Circuit. But unlike the state court in *MGA*,
 6 which has no expertise and generally no jurisdiction over patent claims, the ITC has considerable
 7 expertise and undisputed jurisdiction. Moreover, unlike the state court, an appeal from the ITC
 8 goes to the Federal Circuit, the same court that would decide the issue from any federal court.
 9 Simply put, there is no logical reason why a state court determination of non-infringement would
 10 be binding, but an ITC judgment of non-infringement would not.

11 **C. TPL Cannot Evade the Binding Effect of an ITC Finding of Non-Infringement**
 12 **by Choosing Not to Appeal**

13 There is no legal or practical basis to allow a party to evade an ITC judgment of non-
 14 infringement by strategically choosing not to appeal, simply to start from scratch in district court.
 15 It is well established that an ITC decision *is* binding when the Federal Circuit decides an appeal
 16 from that decision. As the Federal Circuit has explained:

17 TI also argues that by our denying preclusive effect to ITC determinations and to
 18 our decisions in appeals from ITC decisions, district courts would be free to ignore
 19 our decisions. That is not correct. District courts are not free to ignore holdings of
 20 this court that bear on cases before them.

21 *Texas Instruments*, 90 F.3d at 1569. The Federal Circuit has recently reiterated that “[a]lthough
 22 the resolution of the ITC action will not have preclusive effect on . . . the district court in this
 23 case,” the court is “nonetheless bound by stare decisis to abide by any legal precedents established
 24 by our court in” its decision affirming the ITC’s judgment. *Powertech*, 660 F.3d at 1308.

25 TPL attempted to get around this binding effect of stare decisis by choosing not to appeal,
 26 but a party cannot evade an ITC ruling in this way. Courts consistently refuse to give a party the
 27 benefit of a tactical decision not to appeal. For example, the Supreme Court has held that a party
 28 that makes “a considered choice not to appeal . . . cannot be relieved of such a choice because
 hindsight seems to indicate to him that his decision not to appeal was probably wrong”
Ackermann v. United States, 340 U.S. 193, 198 (1950). In another case, the Court held that

1 respondents could not become “windfall beneficiaries of an appellate reversal procured by other
 2 independent parties” where the respondents “made a calculated choice to forgo their appeals.”
 3 *Federated Dep’t Stores, Inc. v. Moitie*, 452 U.S. 394, 400-01 (1981). This simply reflects the
 4 general principle that a party’s failure to appeal a particular determination bars later relitigation of
 5 that issue. *See, e.g., Function Media, L.L.C. v. Kappos*, 508 F. App’x 953, 956 (Fed. Cir. 2013)
 6 (“Google’s failure to appeal the determined validity of those claims removed them from any
 7 subsequent actions.”). In particular, in the administrative context, the decision not to appeal to an
 8 Article III court does not deprive the judgment of binding effect. *See, e.g., McLellan v. Perry*, No.
 9 3:12-CV-00391-MMD, 2014 WL 1309291, at *5 (D. Nev. Mar. 27, 2014) (“McLellan’s
 10 contention that the unreviewed determination of the Hearing Officer cannot have a preclusive
 11 effect is contrary to established law. . . . [T]he claim was litigated at the agency and became final
 12 when McLellan chose not to appeal to the state district court.”). Here, likewise, TPL’s decision to
 13 forego an appeal should not allow it to undermine the otherwise binding effect of the ITC’s
 14 judgment. The Federal Circuit has never suggested otherwise because in all of the cases regarding
 15 the binding effect of ITC rulings, there was an appeal from the ITC judgment. *See Powertech*, 660
 16 F.3d at 1307; *Texas Instruments*, 90 F.3d at 1563; *Bio-Tech. Gen. Corp.*, 80 F.3d at 1563.

17 Furthermore, the reasoning in the *Kessler* line of cases demonstrates that a decision not to
 18 appeal is an illegitimate basis to avoid what would be an otherwise binding judgment. For
 19 instance, in *Brain Life*, the patentee argued that because he abandoned some of the claims before
 20 trial in the first suit, he should be able to relitigate those claims. The court rejected that argument,
 21 holding: “Simply, by virtue of gaining a final judgment of noninfringement in the first suit—
 22 where all of the claims were or *could have been asserted* against Elekta—the accused devices
 23 acquired a status as noninfringing devices, and Brain Life is barred from asserting that they
 24 infringe the same patent claims a second time.” 746 F.3d at 1058 (emphasis added). This Court
 25 similarly recognized that what matters under *Kessler* are the arguments the plaintiff could have
 26 pursued, regardless of whether it actually did so. *See SpeedTrack*, 2014 WL 1813292, at *9.
 27 Once a product is adjudicated not to infringe a certain patent, that status cannot be undone by
 28 arguments about what a plaintiff might have done differently in the first suit. This logic applies

1 equally to the decision not to appeal – what matters is that if the ITC’s judgment was flawed, TPL
2 could have brought all of its arguments to the Federal Circuit. Having elected not to do so, TPL
3 should now be bound by the effect of the ITC judgment.

4 Despite recognizing that “[i]t is well-established that a party cannot avoid the binding
5 effect of a judgment by choosing not to appeal it,” the R&R concluded that this principle was
6 inapplicable because there are “practical reasons why such an appeal would have made little sense
7 in this context.” R&R at 10. However, neither Magistrate Judge Grewal nor TPL cited any legal
8 support for the proposition that a party may avoid the binding effect of a judgment by not
9 appealing if it has practical reasons not to appeal. If that were the rule, many litigants would find
10 reasons why an appeal would be impractical. Moreover, the facts belie TPL’s assertion – made
11 only in their brief, without any supporting evidence – that the decision not to appeal was a matter
12 of timing instead of a strategic calculation to avoid the consequences of its ITC loss while
13 inflicting maximum financial pain on Barnes & Noble. First, based on average length of a Federal
14 Circuit appeal of 14.4 months,³ the appeal from the ITC’s February 2014 judgment would have
15 been completed in time for TPL to get an injunction before the September 2015 expiration of the
16 patent. Moreover, the average time could almost certainly have been shortened if TPL moved for
17 an expedited appeal or simply filed its brief before the due date. Thus, there was no serious risk
18 that the appeal would have been moot. Second, under TPL’s logic, there was barely any point in
19 bringing the ITC action at all, since the ITC decision came only one-and-a-half years before the
20 expiration of the patent. Indeed, even if TPL had prevailed in the ITC, there would have been an
21 appeal from the alleged infringers, and thus there would have been only a short time between the
22 ultimate decision on an injunction and the expiration of the patent. Third, if it actually believed it
23 was right on the merits, TPL had a strong incentive to appeal because (regardless of the *Kessler*
24 issue) the Federal Circuit’s decision would have been binding in this case as a matter of stare

³ See United States Court of Appeals for the Federal Circuit, *Median Time to Disposition in Cases Terminated After Hearing or Submission*, available at http://www.cafc.uscourts.gov/images/stories/Statistics/med%20disp%20time%20merits_table.pdf.

1 decisis. Thus, as the R&R recognized, *see* R&R at 10, TPL could have gotten the definitive claim
 2 construction that instead it seeks to pursue here, which will still end up in the Federal Circuit if
 3 any party chooses to appeal.⁴ The only benefit to TPL in creating this circuitous route to the
 4 Federal Circuit is to drive up litigation costs. This is exactly the sort of gamesmanship that courts
 5 routinely disallow and this Court should likewise reject.

6 Finally, *Kessler* was designed as a policy matter to ensure fairness to makers of products
 7 adjudged to be non-infringing, and the policies at issue here uniformly support giving binding
 8 effect to the ITC judgment. TPL filed suit in this Court and in the ITC on the same day with the
 9 same alleged basis for infringement. In the ITC proceeding, TPL had every incentive to – and in
 10 fact did – make its very best arguments for infringement. Accordingly, this case is nothing more
 11 than a second chance for TPL to pursue claims on which it already failed in another forum and to
 12 force Barnes & Noble to defend itself again after being forced to expend substantial sums in
 13 defending itself in the ITC – a prime example of harassment. The proper way for TPL to
 14 challenge that decision would have been an appeal to the Federal Circuit, not to attack it indirectly
 15 (or otherwise ignore it) in this Court. Such an indirect challenge is especially inefficient for the
 16 parties and the Court given that the ultimate review in this matter would also rest with the Federal
 17 Circuit. And if allowed, it would wrongfully encourage parties not to appeal in the hope of
 18 receiving a different opinion from another forum, which they could still appeal if unsuccessful.

19 CONCLUSION

20 For the foregoing reasons, Barnes & Noble, Inc. respectfully requests that the Court reject
 21 Magistrate Judge Grewal's Report and Recommendation, grant Barnes & Noble's motion in
 22 accordance with Rule 12(c), and enter judgment on the pleadings, dismissing Plaintiffs' third
 23 cause of action with prejudice.

24

25 ⁴ TPL also avoided a definitive decision by settling an appeal in *HTC v. TPL*, No. 5:08-cv-
 26 00882-PSG (N.D. Cal.). While Magistrate Judge Grewal notes the district court's decision in the
 27 *HTC* case, R&R at 10, neither he nor TPL suggests that the decision should have any effect on this
 28 case, and for good reason: Barnes & Noble was not a party to that case, and there is no stare
 decisis effect binding Barnes & Noble because the appeal was settled.

1

2 DATED: June 15, 2015

3 QUINN EMANUEL URQUHART &
4 SULLIVAN, LLP

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7 By /s/ David Eiseman

8 David Eiseman

9 Attorney for Defendant Barnes & Noble, Inc.

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1 **CERTIFICATE OF SERVICE**

2 I hereby certify that, on June 15, 2015, I caused the foregoing document to be served on
3 counsel of record via the Court's CM/ECF system.

4

5 Dated: June 15, 2015

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7 By /s/ David Eiseman
8 David Eiseman

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